

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **February 26, 2002**

AGENDA ITEM NO.: **5**

CONSENT:

REGULAR: **Work Session**

CLOSED SESSION:

(Confidential)

ACTION:

INFORMATION: **X**

ITEM TITLE: **Revenue Enhancement and Cost Containment Ideas**

RECOMMENDATION: N/A

SUMMARY: Following adoption of the FY 2002 Budget, staff formed a Revenue Enhancement and Cost Containment Team comprised of representatives from various Departments throughout the City. During the past several months, this team met to brainstorm possible opportunities to raise revenue and/or contain costs. Research is near complete on the items that require additional research.

A copy of the ideas generated by this team are attached for City Council's review.

PRIOR ACTION(S): N/A

BUDGET IMPACT: None at this time.

CONTACT(S): Bonnie Svrcek, Deputy City Manager

ATTACHMENT(S): Revenue Enhancement and Cost Containment Ideas
Memorandum from Gladys Yates, Assistant City Attorney

REVIEWED BY:

Revenue Enhancement and Cost Containment Ideas

Ideas that Require Investment and Will Enhance Revenue

- ☐ Hire a Grants Administrator and grants software/database
- ☐ Better promote Lynchburg as a special events destination for both promoters and visitors
- ☐ Support construction of a large conference center hotel
- ☐ Create a community gift guide
- ☐ Offer an incentive to employees to not use sick leave
- ☐ Create a matching fund program for neighborhood improvements
- ☐ Allocate admissions tax derived from a special event back to a dedicated revenue to support special events; create a grant fund for promoters to assist in cost reduction of services to support the events
- ☐ Broaden the auditing of various taxes (meals, lodging, BPOL, Machinery and Taxes...)
- ☐ Conduct a City-wide cost allocation

Ideas that are Administrative and Can be Implemented Immediately

- ☐ City needs to limit its devaluing of property (particularly Downtown); impacts value of surrounding properties
- ☐ Create a Revenue Enforcement Collection Team
- ☐ Work towards attracting unique retail/boutique shops in a compacted area
- ☐ Work more closely with the ABC staff regarding delinquent accounts (restaurants, stores with ABC licenses)
- ☐ Collaborate with Schools to use one purchasing card to achieve additional purchasing power to get greater discounts sooner
- ☐ Send notices that dog license renewal date is January 1 (incorporate in utility bill?)
- ☐ Eliminate the August personal property assessment notice; just include high mileage adjustment requests in one bill
- ☐ Include a dog license renewal notice in Parks and Recreation brochures

Ideas that Require More Research

- ☐ Review the tax rehabilitation program: charge an application fee, require owner occupancy, etc. (City Assessor currently reviewing)
- ☐ Can the City charge BPOL and a cable television franchise fee? (City Attorney)
- ☐ Increase limits for <\$100,000 in gross receipts: \$50-100K: raise from \$50 to \$100
\$10-50K: raise from \$30 to \$50
Currently \$0-10K: no fee
(City Attorney/Commissioner of Revenue)
- ☐ Implement a delinquent tax informant program (City Attorney/Police/Billings and Collections)
- ☐ Seize vehicles of delinquent personal property taxpayers or notify DMV and they can suspend the taxpayer's driver's license until personal property is paid (City Attorney/Billings and Collections)
- ☐ Suspend license (where applicable) for any unpaid taxes (City Attorney)
- ☐ Publish on Channel 6 the list of all delinquent taxpayers (authority exists to publish in newspaper, not sure of cable television) (City Attorney)
- ☐ Is there a cap for a CATV franchise fee? (City Attorney)

- ☐ What is the basis for the franchise tax on telephone companies? What is the basis for the \$500 fee from Sprint Cellular? \$4,027 for MCI? (Financial Services)
- ☐ Is Adelphia paying BPOL for internet service delivery? (Commissioner of Revenue)
- ☐ Increase Dog License Fee (research comparables) (Financial Services)
- ☐ Increase Permit Parking Fee (current fee is \$3/year) (Financial Services)
- ☐ Tobacco Tax: What is the State limit? Is the City at the maximum? (City Attorney)
- ☐ Ask the State to discontinue the requirement to file landbooks on microfiche (Legislative Liaison)
- ☐ Can the City add a \$25 administrative fee to delinquent collection fees? (City Attorney)
- ☐ Pursue a regional library system thereby decreasing administrative expenses (City Manager/Library)
- ☐ When were library fees last reviewed? Comparability? If you have a delinquent library fee can you still check out books? (Library)
- ☐ Should the City continue to sell GIS generated products? If so, at what fee, based on what? (Public Works)
- ☐ What is the \$25 fee for Street Directories? (Financial Services)
- ☐ How does the City receive the recordation tax from the State? (Financial Services)
- ☐ Increase decal fee for motorcycles; research First Cities/regional comparisons; research fees for decals for vehicles, trucks, cargo trailers---comparability, State limits? (Financial Services/Commissioner of Revenue)
- ☐ What is the Visitor Center maintenance revenue based on? \$20,383/year (Financial Services)
- ☐ Is the criminal record check fee of \$15 set by State Code? (City Attorney)
- ☐ What is the Maintenance call-out fee? (Public Works/Financial Services)
- ☐ Review Westminster-Canterbury payment in lieu of taxes (Financial Services)
- ☐ What are the details of what is in miscellaneous revenue? (Financial Services)
- ☐ Can the City recover costs for negligence above a certain \$\$ amount (cost-recovery service fee)? (City Attorney)
- ☐ What is the City's collection rate for legal notice advertisements? (Billings and Collections)
- ☐ For conditional use permits, can the permit fee be based upon the size of the project? (City Attorney)
- ☐ Can Excavation Fees be increased? State Cap? (City Attorney)
- ☐ Demolition fee: is the fee recovering the cost of the demolition? (Inspections)
- ☐ Taxicab applications: review current fee, when was it last increased? Basis for fee? (Financial Services)
- ☐ Increase the Precious Metal Permit fee to \$250; what is it now? (Financial Services/City Attorney)
- ☐ Can the concealed weapons permit fee be increased? (City Attorney)
- ☐ Leases: Adams Street-\$6,000 since 1993
Higher Heights-renegotiated? Expired 12/01
Health Department? Expired 08/01
Others?
- ☐ Does the City have the authority to not issue a vehicle decal if there are outstanding taxes and/or utility bills? (City Attorney)
- ☐ Credit card payment for City services without passing 2% +/- on to citizens
- ☐ Offer a wellness incentive to employees

Ideas that Do Not Require Money but May Require City Council Endorsement

- ☐ Collect Real Estate Taxes in 2 installments instead of 4 (decreased administrative costs)
- ☐ Collect the \$100 administrative fee allowed from convicted DWI offenders for administrative fees (complete)
- ☐ Allow corporate advertising on City-owned property
- ☐ Sell naming rights (vehicles, websites, flat roofs, etc.)
- ☐ Maximize relationship with Ntelos
- ☐ Use City owned property/buildings for cellular towers
- ☐ Increase regional collaboration efforts (parks, libraries, Humane Society, etc.)
- ☐ Implement annual real estate reassessment
- ☐ Assess a service charge for State-owned property (CVCC, VDOT, DMV); authority already exists in the City Code
- ☐ Engage a firm to evaluate potential cost-recovery through audits of utilities, insurance, etc.
- ☐ Standardize costs for selling data
- ☐ Affinity/rewards card for Lynchburg with proceeds to be designated to a specific project (downtown, schools, etc.)
- ☐ Form a foundation for accepting donations with particular endowments specified
- ☐ Continue to encourage public/private partnerships
- ☐ Employ retirees, maximizing their skills at a reduced rate
- ☐ Coordinate health benefits package with City school employees (economies of scale?)
- ☐ Round-up utilities payments for purposes like flower beds, bikeways, etc.
- ☐ Increase real estate tax
- ☐ Consider merging decal fee with payment of personal property
- ☐ Consider merging dog license renewal/fee with decal fee
- ☐ Adjust the personal property tax to absorb the cost of decal, send decal when personal property is paid thereby eliminating a process
- ☐ Audit Committee: endorse an audit of court fines collectibles
- ☐ Increase parking fines from \$10 to \$20 and handicapped pkg. Violation to \$500
- ☐ Eliminate the City Treasurer's office; value added?
- ☐ Implement a stormwater tax

Ideas that Require General Assembly Action

- ☐ Increase sales tax by 1 cent to be dedicated to school construction
- ☐ Get approval for a Lynchburg license plate with proceeds to benefit a specific project/program
- ☐ Review how the 1% local option sales tax is distributed; needs to be other than school age population
- ☐ Maintain existing caps on utility taxes for Lynchburg

Prepared by: Revenue Enhancement and Cost Containment Team: Missy Cunningham (Financial Services/Accounting), Greg Daniels (City Assessor), Kay Frazier (Parks and Recreation), Bob Harvey (Customer Service), Mike Hill (Financial Services), Will McChesney (Fire and EMS), Mark Pemberton (Buildings and Grounds), Ricky Steadman/Mitch Nuckles (Commissioner of Revenue), Rickey Pillow (Police), Donna Witt (Billings and Collections), Gladys Yates (Assistant City Attorney)



MEMORANDUM

TO: Bonnie Svrcek, Deputy City Manager
FROM: Gladys L. Yates, Assistant City Attorney
DATE: January 31, 2002
RE: Revenue Enhancement and Cost Containment Team

The following is a response to those items remaining on the Revenue Enhancement and Cost Containment Team's list following the January 9, 2002 meeting. This response is to those items that were specifically assigned to the City Attorney's Office for more research. Also included are some items for which I believe legal comments may be helpful. In order to simplify the compilation of responses from various offices, the items are taken in the same order they appeared on the list and the headers from the list have also been used.

In responding to the revenue enhancement ideas presented, I have relied on the State Code currently in effect. Of course, the City can request changes to the State Code to increase fees capped by the State Code or to allow the City to take action not currently authorized by the State Code.

Ideas that Require More Research

Can the City assess a BPOL tax against the cable television provider in addition to the franchise fee?

Yes. The City may legally charge a BPOL tax to the cable television provider if the provider has a definite place of business in the City. See Chesterfield Cablevision, Inc. v. County of Chesterfield, 241 Va. 252 (1991). It is my understanding that the local cable television provider has an office in the City; therefore, it would have a definite place of business in the City and would be subject to the BPOL tax. It is very likely that the cable company will pass the BPOL tax on to the individual consumer. It is my understanding that federal law may allow the local cable company to show such a tax as a separate item on its bills.

The current franchise agreement between the City and the cable company expires in March 2002. The City may want to consider adding language to the new franchise agreement that clearly indicates the franchise fee is in addition to any other local tax due and owing the City.

Can the City increase BPOL fees for <\$100,000 in gross receipts?

Yes, but not exactly as proposed. Currently the City has the following fee schedule:

<u>Gross Receipts</u>	<u>Fee</u>
\$0- \$10,000	no fee
\$10,001 - \$50,000	\$30 fee
\$50,001- \$100,000	\$50 fee.

This schedule is set forth in §36-126.20 of the City Code. The proposal is to raise the fees as follows:

<u>Gross Receipts</u>	<u>Fee</u>
\$0-\$50,000	\$50 fee
\$50,001-\$100,000	\$100 fee.

The City is not permitted to increase the business license fee in excess of \$50. See §58.1-3703 of the State Code. Accordingly, \$50 is the maximum fee the City could charge for a business license. The City could increase the fee on the businesses with gross receipts from \$0-\$50,000 up to \$50.00, or the City could use a graduated fee system provided no fee exceeds \$50.00.

Can the City seize vehicles of delinquent personal property taxpayers?

Yes. The City can seize vehicles to collect delinquent personal property taxes. See §58.1-3942 of the State Code. However, prior to seizing any vehicles, the City needs to ensure it has the resources to store those vehicles in a safe and secure location while it conducts the necessary search for liens on the vehicles and provides notice of the auction of these vehicles. Donna has informed me that Jane Trent with Glenn Trent Towing has indicated that they would be open to an additional contract with the City to tow distressed vehicles and store them until the taxes are paid or the vehicle is auctioned. Ms. Trent said they could not handle large numbers of vehicles, but could possibly do 10 at a time.

The City also needs to take into consideration the fact that property sold at auction often does not bring in enough revenue to pay the delinquent taxes. Prior to implementing this sort of action, I recommend that Billings and Collections contact other localities to get more information on other practical issues involved with such seizures.

Does the City have authority or can the City request that DMV suspend a delinquent taxpayer's driver's license?

No. There is no authority in the State Code for such action.

Can the City publish on Channel 6 the list of all delinquent taxpayers?

No. There is no authority in the State Code for such action. Section 58.1-3924 does permit the City to publish such a list in the newspaper.

Is there a cap for a CATV franchise fee?

Yes. The cap is 5% of revenues from operation of cable system to provide cable services. This cap is set by the Federal Cable Communications Policy Act.

Is there a State limit on the cigarette tax?

No. Section 58.1-3840 of the State Code allows the City to charge a cigarette tax, and there is no limit imposed on this tax. However, the City may want to ensure any increase in the cigarette tax is not out of line with what the other jurisdictions, especially surrounding localities, charge. When the City Attorney's Office inquired about the amount of other localities' cigarette tax in 1996, the City at 15 cents per pack was on the high end. At that time, 4 cents per pack was more common; however, Norfolk and Virginia Beach did charge 25 cents per pack.

Is there a State limit on the Admissions/Amusement tax?

No. Section 58.1-3840 of the State Code allows the City to charge an admissions tax, and there is no limit imposed on this tax. Once again the City may want to ensure any increase is in line with what other jurisdictions, especially surrounding localities, are charging.

Can the City add a \$25 administrative fee to delinquent tax collections?

Yes, but only in limited circumstances. Section 58.1-3958 of the State Code authorizes the City to impose a fee to cover administrative costs of collections. Pursuant to this code section, the fee shall not exceed \$25.00 for taxes or other charges collected following a judgment by a court or \$20.00 for taxes or other charges collected after filing a warrant in debt or other appropriate legal document but prior to judgment by a court. Given the broad collection powers that the City has prior to obtaining a judgment from the court, most collections efforts by the City do not result in the filing of a warrant in debt to obtain a judgment.

Is there a limit in the State Code on the fees charged when the Commonwealth Attorney successfully prosecutes a case?

Yes. These fees are set forth in §15.2-1627.3 of the State Code. Pursuant to sections 17.1-275 and 16.1-69.48 of the State Code, the Clerk of Circuit Court collects these fees and half of the fees are paid to the city and half to the state. The fees were last changed in 1999.

Can the City sell GIS generated products? If so, on what must the fee be based?

No, but it may charge a reasonable fee for the cost of supplying the records. In calculating the fee, the City cannot include personnel or equipment costs. According to the Freedom of Information Act, §2.2-3704 F, the City may make a reasonable charge for the cost incurred in supplying records produced from a geographic information system at the request of anyone other than the owner of the land that is the subject of the request. However, such charges cannot exceed the actual cost to the City in supplying such records, except that the City may charge, on a pro rata per acre basis, for the cost of creating topographical maps developed by the City, for such maps or portions thereof, which encompass a contiguous area greater than fifty acres.

Is the criminal record check fee of \$15 set by State Code?

I am not able to locate a provision in the State Code that established the fee to be paid for a criminal records check. The City could increase the fee to recover the administrative cost incurred by the City in providing criminal records checks. However, there has been concern expressed in the legislature in the past that charging too much may have a negative impact on economically disadvantaged applicants. The idea here is that if the cost of the background check is too high and applicants are required to pay for the check, economically disadvantaged applicants may decide not to apply for certain positions. If the fee is increased, the legislature may enact legislation that would require the employer to bear the cost of the criminal records check or set a limit on the fee to be charged.

Also, please remember that the City has positions that require criminal records checks, and it has been the City's policy to pay for those checks.

Review Westminster-Canterbury payment in lieu of taxes.

I understand this payment is pursuant to an agreement between the City and Westminster-Canterbury. Pursuant to this agreement, the City receives 4.5% of Westminster-Canterbury's monthly fees. Therefore, the City receipts do increase as the monthly fees increase. However, I

am not aware of any reason that Westminster-Canterbury would be willing to renegotiate this payment.

Can the City recover its costs in responding to an accident if the City can prove the accident was caused by negligence?

No. The concept behind this suggestion was to attempt to recover a certain percentage of the response costs of fire and police to an accident scene from the person whose negligence caused the accident. There is no authority for the City to recover its costs in responding to an accident, except in special circumstances – such as when the accident is caused by a person later convicted of driving under the influence. A more detailed discussion of this special circumstance is included below under the header “Ideas that Do Not Require Money but May Require City Council Endorsement.”

For conditional use permits, can the permit fee be based upon the size of the project?

Yes, provided the amount of the fees are to cover the cost of making inspections, issuing permits, advertising notices and other expenses incident to the conditional use permit. As a general rule, fees under the zoning ordinance are to cover the cost of making inspections, issuing permits, advertising notices and other expenses incident to the administration of a zoning ordinance or to the filing or processing of any appeal or amendment to the zoning ordinance. See 15.2-2286 A(6) of the State Code. These fees, unlike taxes, are not meant to be a stream of revenue for a locality.

Can excavation inspection fees be increased?

Yes, provided the amount of the fees is to cover the costs of routine administration and inspection time related to the excavation. The current amount of the excavation inspection fee is set forth in §35-55 of the City Code. I have been unable to locate a cap on these fees in the State Code. Please remember that pursuant to §35-26 of the City Code these excavation inspection fees cannot be charged to providers of telecommunication services. Providers of telecommunication services are only subject to the public rights-of-way fee as set forth in §35-26 of the City Code.

Can the City increase the dealer in precious metal fee application and renewal fee to \$250?

No. Section 54.1-4108 of the State Code sets these fees at \$200.00. Consistent with the State Code, §23.1-9(b) and (d) of the City Code sets the application and renewal fee for this permit at \$200.

Can the concealed weapons permit fee be increased?

No. The fee is currently \$50. Pursuant to §18.2-308 K of the State Code, the concealed weapons permit cannot exceed \$50. This fee includes the (1) \$10 fee charged by the clerk of court for processing the application; (2) fee not to exceed \$35 charged by local law enforcement to cover the cost of conducting the investigation; and (3) fee not to exceed \$5 charged by the State Police to cover their costs associated with processing the application. The fee charged by local law enforcement includes any amount assessed by the FBI for providing criminal history information.

Does the City have the authority to not issue a vehicle decal if there are any outstanding taxes and/or utility bills?

No, unless the taxes are personal property taxes or unpaid parking tickets. The City has the authority to withhold a vehicle decal if the personal property taxes for that vehicle or another vehicle owned by that person are not paid. See 36-132 of the City Code and §46.2-752C of the State Code. The State Code also gives the City authority to withhold a vehicle decal if the owner has unpaid parking tickets. See §46-752D of the State Code. However, the language in the State Code is permissive and not mandatory, and I have not been able to locate a similar provision in the City Code. Therefore, Billings and Collections may want to request an amendment to the City Code allowing decals to be withheld for unpaid parking tickets. There is no authority in the State Code for the City to withhold a decal due to other unpaid taxes or fees, including utility bills.

Ideas that Do Not Require Money but May Require City Council Endorsement

Can the City collect the \$100 administrative fee or minute by minute cost up to \$1,000 from convicted DWI offenders?

Yes. The Police Department asked Walter Erwin to look at this issue following an amendment to the State Code. An ordinance has been drafted. This ordinance was adopted by City Council at its January 29, 2002 meeting.

Allow corporate advertising on City-owned property

Once advertising is allowed, the City cannot censor what advertisements are accepted. This could lead to the City having to accept advertising that it would rather not have on City property.

I trust this memo has been responsive to your request. If you have any additional questions, please contact me.